2021

COST AND MANAGEMENT ACCOUNTING — II — HONOURS

Paper : CC-4.2Ch

Full Marks : 80

The figures in the margin indicate full marks.

Candidates are required to give their answers in their own words as far as practicable.

Group-A

Answer ***any four*** questions.

1. What do you mean by Activity Based Costing? What are the advantages of Activity Based Costing over the traditional costing system? Write short notes on Cost Pool and Cost Driver. 2+4+(2+2)

2. S Ltd. manufacturers product A which yields two by-products B and C. In a period the amounts spent upto the point of separation was ₹ 20,600. Subsequent expenses were:

	A ₹	B ₹	C ₹
Materials	300	200	150
Labour	400	300	200
Overheads	300	270	280
Total	**1000**	**770**	**630**

Gross sales value of product A, B and C were ₹ 15,000, ₹ 10,000, ₹ 5,000 respectively. It was estimated that the net profit as a percentage of sales in B and C will be 25% and 20% respectively.

Ascertain the profits earned by the product A. 10

3. Write short notes on:
   (a) Break-even Point
   (b) Margin of Safety
   (c) Angle of Incidence. 3+3+4

4. A manufacturing company gives you the following information relating to its product lines.

	X	Y
Number of units to be produced	150	50
Machine set up hours per product line	10	10
Direct labour hours per unit	2	2

The budgeted machine set up cost is ₹ 14,400

You are required to:

(a) Allocate machine set up related cost to product lines X and Y using direct labour hour rate.

(b) Allocate machine set up related cost to the product lines using Activity Based Costing. 5+5

5. A company incurs the following expenses to produce 1000 units of an article.

Particulars	Nature of expense	₹
Direct materials	Variable	60,000
Direct labour	Variable	30,000
Power	20% fixed	20,000
Repairs and maintenance	15% fixed	16,000
Depreciation	40% variable	12,000
Administrative expenses	100% fixed	24,000

Prepare flexible budget showing individual expenses for production levels of 1500 units and 2000 units. 5+5

6. What is Budget? What do you mean by Budgetary Control? Discuss the importance of Budgetary Control. 2+2+6

7. A. S. Ltd. produces two products P and Q using single process. The company provides you the following information:

	P	Q	
Selling price per unit ₹	10	15	
Variable cost per unit ₹	6	8	
Labour hour required for production of one unit	1 hour	2 hours	
Maximum demand in the market in units	100000 units	200000 units	
Fixed cost per annum			₹ 10,00,000
Total available labour hours			400000 hours

Compute the most profitable product mix considering labour hour and market demand as limiting factors. 10

8. Information for two consecutive years are given below:

Year	Units	Selling price ₹	Average cost ₹
2018	24,000	100	60
2019	30,000	100	56

Calculate:

(i) Break-even Sales

(ii) Sales to earn a profit of ₹ 4,20,000

(iii) Margin of safety when profit is ₹ 60,000 4+4+2

Group-B

Answer *any two* questions.

9. From the following information you are required to calculate (a) Material Cost Variance (b) Material Price Variance (c) Material Mix Variance (d) Material Usage Variance and (e) Material Yield Variance: 20

Raw Material	Standard Quantity	Standard Rate	Actual Quantity	Actual Rate
	kg	₹	kg	₹
Material P:	40	6	600	5
Material Q:	60	4	400	4.50

Note : Standard output = 80% of input and Actual output = 70% of input.

10. (a) Distinguish between Standard Cost and Standard Costing.

(b) Discuss the role of Standard Costing in decision making.

(c) From the following information of a manufacturing company determine (i) Labour Cost Variance (ii) Labour Efficiency Variance and (iii) Labour Rate Variance.

Standard labour cost per unit of production ₹ 15,000

Time allotted per unit is 30 hours

During the month of March 2021 : 3000 units were produced in 75000 hours, Actual payment of wages for the month is ₹ 45000. 5+5+10

11. (a) A manufacturing company prepared the following budget for the year 2021-22

Sales (15000 units)	₹ 1,50,000
Fixed expenses	₹ 35,000
Variable cost	₹ 5 per unit

(i) Find P/V ratio, Break-even Point and Margin of safety.

(ii) Also calculate the Revised P/V ratio. Revised Break-even Point and Revised Margin of Safety in each of the following cases independently: If (I) Selling price is expected to decrease by 10% and (II) Variable cost is expected to increase by 10%.

(b) The estimated costs of producing 50000 units of a product are given below:

	₹	
Direct Material Cost	15,00,000	
Direct Labour Cost	10,00,000	
Direct Expenses	4,00,000	
Factory Overhead	8,00,000	(62.5% fixed)

The same product is available in the outside market at a price of ₹ 66 per unit. If these are purchased, 50% of the fixed overhead costs will be saved.

Advise the company regarding making the product itself or buying it from the open market. 10+10

Please Turn Over

12. From the following information of K Ltd., prepare a Cash Budget for the three months commencing from January, 01, 2021. 20

Month	Sales (₹)	Purchases (₹)	Wages (₹)	Expenses (₹)
November, 2020	25,000	5,000	10,000	2,000
December, 2020	30,000	10,000	10,000	2,000
January, 2021	20,000	15,000	11,000	2,500
February, 2021	25,000	10,000	11,000	2,500
March, 2021	30,000	5,000	12,000	2,500

Other information:

(a) 10% of Sales and Purchases are on cash basis and balance are on credit basis.

(b) Credit to debtors: 1 month, on an average 50% of Debtors will make payments on the due date while the rest will make payment one month thereafter.

(c) Credit from creditors: 2 months, 10% cash discount will be received if payment is made after one month of sales. It is estimated that for 50% of purchases, advantage of cash discount will be taken.

(d) Expenses and wages are paid within the month.

(e) Opening cash balance (1.1.2021) was ₹ 10,000.